



Transit Capital Planning and Management Performance Audit

King County Auditor's Office

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Introduction

- Recent capital audits
 - Wastewater Treatment (2003)
 - Roads Division (2004)
 - Transit (2005)
- Raised questions about whether the county could ensure that capital investments were cost-effective
- Agency follow-up on recommendations has been encouraging
- Executive concurred with findings from all three audits



Summary of Conclusions

- Transit applies best practices in some areas
- To more fully conform to best practices, Transit should:
 - Improve its consistency in identifying, quantifying, and analyzing cost impacts of alternative capital investments
 - Develop a facility master plan
 - Refine performance measures for the CIP



Review of Best Practices

- CIP should be supported by a strong approach to economic analysis
- Policy framework should guide CIP development
- Comprehensive facility master plan should provide guidance for capital projects
- CIP should communicate underlying policies and processes used in capital plan development



Approach to Economic Analysis

Audit was to address the following questions:

- When and why are economic analyses conducted?
- Are they technically sound?
- Have alternatives been adequately considered?
- Does the analysis and information:
 - *Lead to the selection of cost-effective projects?*
 - *Provide adequate support to the Council so that it can fulfill its oversight responsibilities?*



Results of Our Review

- Today's presentation will focus on two examples of capital projects to answer the audit questions:
 - Trolleybus remanufacture in 2002
 - Purchase of hybrid buses for Transit Tunnel (2003-4)
- In each example we will explain why following best practices is important



Trolleybus Remanufacture

- Reviewed 3 viable alternatives
- Did not conduct standard lifecycle cost analysis
 - Should include all costs over lifecycle
 - Take into account time value of money
 - Conduct sensitivity analysis
- In this example, \$11.7 million saved (over buying new)
- But next time may be a different story



Hybrid Bus Purchase for Tunnel

- Transit did not analyze and present a full array of viable alternatives
 - Judged that the County would need a new fleet of the same size to continue to operate in the tunnel
 - Only one viable option considered – the hybrid bus. The alternative considered (replacing the old buses with similar buses) was cost prohibitive
- Therefore, there was no economic analysis of alternatives



Hybrid Buses (continued)

- A \$152 million capital decision without quantification of costs and identification of trade-offs (different benefits) associated with alternatives
- A best practice would be to have guidelines in place to ensure that for projects of this magnitude, an analysis of a full array of alternatives be conducted



Importance to Decision-Makers

- Need to know that proposed CIPs are cost-effective alternatives
- Need to be able to hold Transit accountable for the process it uses for bringing projects forward
- Consideration of full array of alternatives would enrich deliberations and decision-making



Policy Framework Guides CIP

- Policy framework important to focus efforts on mission and provide basis for evaluating performance
- Transit has clear policy direction that guides CIP development
- Transit's CIP performance measure is inadequate
- Recommendation: Transit should develop performance measures to track its efficiency and effectiveness in planning and constructing reliable, safe, and convenient transportation services



Facility Master Planning

- A facility master plan bridges strategic goals and current facility needs
 - Inventory (with condition information)
 - Building standards
 - Estimate of costs
- Transit does not have a facility master plan; some current Transit documents and processes could provide a starting point for a facility master plan
- Recommendation: Transit should develop a comprehensive facility master plan and designate a schedule for periodically updating the plan



CIP Communication

- Transit clearly communicates prioritization processes
- Approach to asset management less clear
- Documentation of asset management now required by state law
- Recommendation: Transit should document and communicate its asset management approach



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